

**Document C**  
**Gulf of Alaska Rationalization**  
**Options Discussion Paper**

The following is staff discussion of the elements and options in the April 2003 motion of the Council concerning rationalization of the Gulf of Alaska groundfish fisheries. Section numbers on the left hand margin are from the April motion as renumbered by the staff to provide easier referencing. In the text, reference is often made to the proposed revision to the motion. Those section numbers appear in the "staff proposed revision" to the April motion.

**2.1 Harvest Share Program**

(2.1)

- A) The pollock TAC is allocated based on areas  
610 (Western Gulf),  
620 and 630 (Central Gulf),  
640 (West Yakutat)

For purposes of allocating pollock, staff suggests using these areas for making harvest share allocations. A suggested clarification is included in 2.1 of the revised motion.

- B) The Pacific cod allocation will need to be divided between West Yakutat area (issued as harvest shares) and SEO (not included in the program).
- C) The allocation of SRRE and thornyhead might need to be divided between West Yakutat area and SEO.

These provisions appear in section 2.1 of the revised motion.

(2.1) - SEO bycatch allocations

- 1) How are these bycatch species to be allocated - for most bycatch species we use "average bycatch rates" in this area we have no targets to work from
- 2) how are these fisheries to be managed - if we allocated quota for two bycatch species that implies that target fisheries (with the exceptions of halibut and sablefish) are conducted in an "open access" manner but with bycatch IFQs

These provisions appear in section 2.1 of the revised motion.

(2.1) - Exclusion of jig gear from the program

Under this exclusion, we would need make an allocation to jig gear based on historical harvests during the qualifying period - this would be fished in an "open access" manner. A suggested clarification is

included in 2.1 of the revised motion.

(2.1.1) Qualifying landing criteria

Option 2, which would allocate Pacific cod based on annual average percentage harvests, is a suboption. Section 2.2.1 of the revised motion includes this provision as a suboption.

(2.1.2.2) - The revision clarifies that the first two eligibility provisions pertain to LLP participation. The second two provisions pertain to non-LLP participation.

(2.1.2.2) - The Council should further clarify how the program is intended to interact with State water parallel fisheries. In the current motion, a provision is made for allocations from State water parallel fisheries. These allocations would endow historic parallel fishery participants with the Federal fishery allocations. The motion is unclear as to whether and how the parallel fisheries will be accommodated after the program is implemented. Would those receiving an allocation be permitted to participate in the parallel fisheries. How would the TAC be managed if harvest share allocations are made in the federal fisheries and a competitive parallel fishery is conducted. In the current fisheries, both the Federal and parallel fisheries close when the Federal TAC is harvested from combined Federal and parallel fisheries harvests. If harvest shares are allocated and a derby parallel fishery is also conducted, an explicit allocation to the parallel fishery might be needed to regulate total harvests.

(2.1.3.1) - Allocations of target species -These allocations will be analyzed based on all retained catch (excluding meal) of the species by the gear type - regardless of whether the species is determined to be the “target” at the time of harvest. These species designations appear in 2.3.1 of the revised motion.

(2.1.3.1 and 2.1.4) - Targets and Bycatch - these sections specify the following species allocations by gear type:

<b>Species</b>	<b>Trawl</b>	<b>Longline</b>	<b>Pot</b>
pollock	target		
Pacific cod	target	target	target
pelagic shelf rockfish	target	target	
northern rockfish	target	target	
deepwater flatfish	target	target	
rex sole	target		
shallow water flatfish	target		
flathead sole	target		
Pacific ocean perch	target	target	
Arrowtooth flounder	target	target	
thorny head	bycatch (inc. SEO)	bycatch (inc. SEO)	bycatch (inc. SEO)

Species	Trawl	Longline	Pot
rougheye	bycatch (inc. SEO)	bycatch (inc. SEO)	bycatch (inc. SEO)
shortraker	bycatch (inc. SEO)	bycatch (inc. SEO)	bycatch (inc. SEO)
other slope rockfish	bycatch	bycatch	bycatch
Atka mackerel	bycatch	bycatch	bycatch
sablefish	bycatch	bycatch	bycatch

If a gear type does not receive an allocation of a “target species” that is required to prosecute a fishery, it is possible that an allocation could not be fished. The allocation of all species should by gear should be examined for shortcomings that might preclude a gear type from fishing its allocation because an omitted allocation of a target species. These species designations appear in 2.3.1 of the revised motion.

(2.1.3.1) - Vertical Integration - the reference to the placeholder is unclear. I do not know what it refers to. This reference appears in 2.3.3.4 of the revised motion.

#### (2.1.4) - Allocation of Bycatch Species

Option 1 - use “fleet bycatch rates by gear” for allocation

This can be interpreted several ways:

- a) Determine average bycatch rates by gear type based on an assessment of the “targeted species” (i.e., determine targets for each fishery) - Possible bases are:
  - 1) landing basis based on highest land (using fish tickets)
  - 2) haul or set basis using observer data - this option would not count topping off in allocations

Once the average bycatch rate is determined, the allocation would be made based on allocation of targets by gear

- b) Determine an annual statistical bycatch rate based on the amount of harvest of the bycatch species in relation to harvest of each target species. This method would not require a determination of the “target species” for any time or activity period but would instead determine bycatch as a function of harvests of the target species

Because of the unpredictability of these methods, a reasonable goal for the Council might be to examine distributions generated by the analysis and accept those numbers (instead of having numbers recalculated at the time of the allocation). In all cases, the bycatch allocations would have to be a percentage of the TAC. **Representative allocations in pounds will be provided based on recent harvest levels.** These provision appear in 2.4 of the revised motion.

#### (2.1.5.2) Halibut PSC Allocation

- 1) Allocation would be based on “average halibut bycatch by directed target species”. These calculations could be made on the same basis as those for bycatch by species.
- 2) Option 1(b) would require the calculation to be conducted on a CV/CP sector basis **(there is no similar option for differentiating the allocation of bycatch to C/Ps from CVs.)**

These provisions appear in 2.5 of the revised motion. Bycatch provisions referred to are in 2.4 of the

revised motion.

(2.1.6)

- A) The introductory sentence provides that “owners must utilize all of their shares before participating in incentive fisheries.” Adding the term “incentive species” may clarify that the owner must not use all shares but only those of the incentive species. Based on prior Council discussion, this appears to be the intent. This provision with the proposed change is in 2.6 of the revised motion.
- B) For West Yakutat, it might be useful to specify species - if this is intended to extend beyond the fisheries specified in the introduction to the section. The provision is in 2.6 of the revised motion.
- C) In several places in this section, the term “incentive” has been substituted for the term “underutilized” to clarify the species that are covered by this aspect of the program.

(2.1.6.1) Incentive fisheries

Option 1 would permit LLP holders to enter the incentive fishery. Since the fishery would be rationalized under this alternative, LLP license would not exist. The provisions that require landings in the fishery seem to parallel the qualification requirements for an initial allocation for shares. Since share holders may change over time, these provisions also are not appropriate. **Staff suggests these provisions all be removed.** More appropriate provisions from one of the cooperative options are included in the proposed revision. Those provisions will likely need revision to make them workable in all programs. These provisions are in 2.1.6 of the revised motion.

(2.1.6.2) Incentive Fisheries

Under suboptions 1 and 2 provide for tonnage allocations to historic participants prior to allocation to the incentive fishery. These allocations are assumed to be average annual historic harvest tonnages, based on the chosen qualifying years. These provisions appear in 2.6.2 of the revised motion.

(2.1.12) Sideboards

The sideboards section is omitted from several alternatives. This seems to be an oversight in referencing. The revised motion suggested by staff includes the sideboards in all options. these options are all contained in 2.12 of the revised motion.

## 2.2 IFQ with Cooperatives

Options for several different cooperative programs are combined in this single section. In addition, other cooperative options appear in sections 3.2 and 4.2 of the Council’s motion. The proposed revision has combined all cooperative options in Section 4. In addition, the “alternative descriptions” explain how different sets of elements work together to form coherent alternatives. The following discussion pertains to individual elements and options and discusses clarifications and possible revisions.

(2.2.13 Option 1)- Cooperatives Option 1, Paragraph 3 provides, several cooperative rules. The purpose and consequences of several provisions are not clear.

- 1) The provision is unclear in that “eligible harvesters” is not defined. A better term might be

- “harvest share holder”. This provision appears in 4.2.1 of the revised motion.
- 2) Processors are typically not cooperative members. If that is intended here, the language should be clear that the processor is not a cooperative member. The processor associates with the cooperative. This terminology has been corrected in several places in Section 4 of the revised motion.
  - 3) The provision is also unclear as to which provisions are options and which are suboptions; a) and b) appear to be mutually exclusive suboptions. This provision is included in 4.2.1.2 of the revised motion.
  - 4) Provisions b.ii and b.iii, appear to be mutually exclusive suboptions. This provision is included in 4.2.1.2 of the revised motion.
  - 5) The provisions of i, ii, and iii do not appear to allow processor affiliated vessels to join cooperatives. Cooperatives are oriented toward harvesting coordination (not pricing). Inclusion of processor affiliated vessels could be important to achieving coordination. The AFA and the crab rationalization program both permit processors affiliated vessels to join cooperatives. A suggested provision is included in 4.2.1.1 of the revised motion.
  - 6) The provision is unclear concerning the requirement of C/P cooperatives to associated with a processor. A suggested provision is added as 4.2.1.3 of the revised motion.
  - 7) In addition to the rules specified, one option that could be included is to limit harvesters to forming cooperatives with fellow sector members (i.e., holders of shares for the same gear, vessel type (CV or C/P) , and/or vessel length). If share holders cannot coordinate fishing among members should they be in the same cooperative. The level of these requirements should depend on the level of coordination that is reasonable. Target species and area may also be considered for cooperative formation. These provisions are included in 4.2.1 of the revised motion.

(2.2.13, Option 1) Cooperatives Option 1, 7 provides that overages and underages would be applied in the aggregate at the cooperative level. A few problems arise with this provision:

1. Overage determinations are typically based on the last delivery of the share holder (i.e., an overage occurs if a vessel harvests more than 5 percent in excess of its unused shares in its last landing). These would be applied to the last cooperative delivery but not in the aggregate. Overage provisions from 2.3.3.9 would be used to determine the consequences of overages. The provisions of 4.3.2.2 clarifies that the cooperative unit is responsible for the harvest of its allocation (which would include any overage).

(2.2.13, Option 1) Cooperatives Option 1, 11 provides for sideboards of vessels and licenses. These should be moved to the sideboards section of the document ,so it can be considered for all alternatives. Staff's revisions to the motion includes the provision in 2.12.

(2.2.13, Option 1) Cooperatives Option 1, 12 should explicitly provide for intercooperative transfers. A provision has been added to 4.3.2.7 of the revised motion clarifying that intercooperative transfers are permitted to the extent allowed among different sectors by 2.3.2.3 of the revised motion.

(2.2.13, Option 1) - Cooperatives Option 1 should include a provision that explains how individual caps would be applied. For example, individuals caps could be applied to limit the amount of shares that an individual can bring to cooperatives. Intercooperative transfers would be subject to both an individual cap (applicable to the individual acquiring the shares) and to the cooperative cap. Once in a cooperative use of shares would be defined by the cooperative rules and any applicable limits. The staff proposed revision to the motion includes such a provision in 4.4.3..

### (2.2.13 Option 2) - Mandatory Cooperatives

- A) The term “IFQ” should be dropped from this option because all annual allocations are to cooperatives not individuals. The purpose of this provision might be clearer, if it says only that annual allocations are made only to cooperatives. This change is proposed in 4.1, Option 2.
- B) Paragraph 2 provides that “CPs would be allowed to form a sector co-op which does not need to meet conditions 3-8 below.” “Sector” must be defined for purposes of this option. Possible interpretations of the term are:
  - 1) All holders of C/P shares (all gear types, species, areas)
  - 2) All holders of C/P shares of a specific gear type, target species, and area
  - 3) Any group of four or more C/P share holders with shares for use by the same gear (this is a very weak definition of a sector and perhaps should not be defined as a sector to avoid confusion)
  - 4) Any group of four or more C/P share holders (this is a very weak definition of a sector and perhaps should not be defined as a sector to avoid confusion)

The revised motion accommodates these definitions in 4.2.1.

- C) Provisions of 3, which would not be applicable to C/Ps, is needed to determine allocations.
- D) Paragraph 3 is redundant since it is already included by reference in the introduction.
- E) Paragraph 4 requires a price setting contract and fishing plan in the cooperative agreement. Two issues arise concerning these requirements. First, any minimum requirements for the contracts and fishing plans under this provision are unstated. Is it adequate to have a contract with a Petersburg processor for \$0.01 for any deliveries that might be made (with none intended). The level of review of the agency of these contracts needs to be specified. If several small cooperatives form (4 persons to a cooperative is the minimum required) this could be a substantial burden on the agency. If this section is intended to provide reasonable protection to either sector without overburdening the administrators, substantial detail will need to be developed and included. No suggestions are made. The provision is included in 4.2.4 of the revised motion.
- F) Paragraph 5 prohibits processor affiliated vessels from participating in price negotiations, where processor affiliates are defined using the 10 percent threshold rule. This provision may not be consistent with current antitrust law. Is it intended that the Council ask for a modification of antitrust law. Otherwise, the provision could be dropped or revised to specify that antitrust law should determine whether processor affiliates are permitted to participate in price negotiations. The proposed revision is included in 4.3.2.4 of the revised motion.
- G) Paragraph 6 is unclear as to its purpose. If the intention is to clarify that processor affiliates can join cooperatives, as required to receive an annual allocation, that could be made clear just by stating that. A proposed provision appears in 4.2.1.1 of the revised motion.
- H) Paragraph 7 provides that “Harvesters must declare prior to fishing which Co-op they will deliver to in a given year.” Harvesters do not deliver to cooperatives. This seems to be directed toward requiring harvesters to join cooperatives. This provision seems redundant and can be dropped

(unless it is directed to some other goal).

- I) Paragraph 7. 2) provides for share reductions in the event a harvester changes cooperatives. The provision does not specify how the reduction would be reallocated. It could be reallocated to the cooperative or redistributed among all participants in a fishery (i.e., gear type, species, area, vessel type). Two options are suggested in 4.5.2 of the revised motion.
- J) Paragraph 7. 2) contains a limit on the amount that a cooperative's annual allocation can change year-to-year from members departing the cooperative. The provision does not provide for how this limit will be implemented. Several questions are raised:
- 1) If an cooperative agreement expires are members subject to the limitation.
  - 2) Can harvesters leave cooperative's prior to the agreement expiration.
  - 3) If several harvesters all wish to leave a cooperative at once, which harvesters are permitted to leave the cooperative.
  - 4) Can a harvester belong to multiple cooperatives.
  - 5) If the departure of a harvester from a cooperative would lead to the cooperative having less than 4 members, what happens.
  - 6) If a harvester owns more than 20 percent of a cooperative's shares, can the harvester leave the cooperative.
  - 7) Since a cooperative's members may hold shares in many species, how is 20 percent of the cooperative's holdings determined.
- This provision is omitted from the revised motion.
- J) Paragraph 8. a. provides that "processor-owned" vessels must make available at least 20 percent of their shares to other harvesters in the cooperative at market rates. This presents several problems:
- 1) Vessels are not the right reference in a share based fishery. "Shares held by processors" might be a better reference.
  - 2) What constitutes processor ownership.
  - 3) How are market lease rates determined.
- Staff suggests this provision be dropped or substantially reworked. It appears in 4.3.2.5 of the revised motion.
- K) Paragraph 9.a) provides that the harvesters that do not join a cooperative are permitted to participate in an open access fishery. The scope of the open access should be defined. Is the open access fishery:
- 1) all shares of any harvester that is not a cooperative member
  - 2) all shares of harvesters in the area, gear, vessel type (CV or C/P), and/or species for which the harvester holds shares.
- The second of these options is included in 4.6.1 of the revised motion. The motion should also be clear that an open access fishery will be conducted only if adequate allocations are available. In addition, NMFS will need to determine the distribution of those allocations among target fisheries, if members of the open access fishery have histories in more than one target species. The revision to 2.6.1 also includes these provisions.
- L) Paragraph 9 defines participation of harvesters that are not in cooperatives. C/Ps should not be exempt from this provision. The provisions as revised in 4.6.1 would allow C/P participation.

(2.2.14) - Element 13. Sector Allocation Program with Cooperatives

This section primarily references other sections of the elements and options. The section appears to be more of a preferred alternative (with some options) than a new set of options. The inclusion of these options can be accomplished most straightforwardly by identifying provisions that are not covered by other portions of the motion and including them where appropriate. This particular alternative is almost entirely contained in the alternative for “Harvest Share Program with Cooperatives Alternative” (2.2). Staff proposes modification of that alternative to include all elements from this “Sector Allocation Program with Cooperatives” alternative. The following discussion of each section of this alternative shows where each element of the “Sector Allocation Program with Cooperatives” alternative is contained in the “Harvest Share Program with Cooperatives Alternative” (2.2) or suggests the appropriate location to include the element.

(2.2.14.1) Sector Identification

This section is consistent with the proposed modification of 4.2.1. That provision contains two alternatives for defining “sectors”. One is the vessel type (CV or C/P) and gear definition; the other is by area, vessel type, vessel length, and/or gear. Defining these units as sectors and accommodating an open access fishery for a sector in 4.6 of the revised motion provides for the “sector allocation with cooperatives”.

(2.2.14.2) Target Species

These are all incorporated into this option by reference and therefore are already contained in the motion. These are akin to selecting a preferred alternative.

(2.2.14.3) Bycatch Species

The first line incorporates by reference, so it is already contained in the motion. The two options are copied from 2.1.4 and therefore are also in the motion.

(2.2.14.4) PSC Species

2.2.14.4.2 - The provisions concerning accounting for PSC harvests are effectively contained in 2.5.1. That provision provides for cooperative management of the PSC, which would apply if cooperatives are formed. Sector management as proposed by Option 1 could only be effective if all sector members were in the same cooperative, in which case cooperative management would be adequate. So, inclusion of a “sector management” provision is redundant.

2.2.14.4.2 These provisions concerning allocation are contained in 2.5.2 of the revised motion.

(2.2.14.5) Incentive Species

Option 1 is effectively contained in 2.1.6 of the revised motion.

Option 2 provides eligibility criteria for participation in incentive fisheries. **These provisions or some other reasonable eligibility provisions should be incorporate into 2.6.1. These provisions will need revision to make them workable in all different programs.** Staff revision to the motion includes these provisions in 2.6.1 of the revised motion.

(2.2.14.6) Communities

These provisions are contained in 2.9.2 of the revised motion..

(2.2.14.7) Review and Evaluation

These provisions are contained in 2.11.2 of the revised motion..

(2.2.14.8) Sideboards



Sideboard protections are provided for in 2.12 of the revised motion..

(2.2.14.9) Cooperatives

The following bullets correspond to the bullets of this Issue in the alternative.

- The provision authorizing the formation of cooperatives is in 4.3.2 and 4.3.3 of the revised motion..
- The provision for allocation of catch to a cooperative based on its members' individual histories is contained in 4.3.1 of the revised motion..
- Cooperative management of its harvests is contained in 4.3.2 and 4.3.3 of the revised motion..
- The allocation of the TAC remaining after cooperative allocations to non-cooperative members is provided for in two different ways, depending on the options selected:
  - 1) in the voluntary cooperative model, non-cooperative members would receive IFQ in 4.1, Option 1 of the revised motion..
  - 2) in the mandatory cooperative model, non-cooperative members would be permitted to fish in an open access fishery, if the Council elects to create that fishery 4.6 of the revised motion..
- The use of a number of "license holders" for cooperative formation is not appropriate in a share-based fishery, since no licenses would exist. Share holders are a more appropriate reference. A requirement for a minimum number of share holders for cooperative formation is contained in 4.2.2, Option 1. The use of a minimum amount of the catch history of a sector for cooperative formation is added to 4.2.2, Option 2 of the revised motion..

(2.2.14.9.1) Co-op participation

Option 1

Voluntary cooperatives are provided for by 4.1, Option 1 of the revised motion.. The term "voluntary" raises the question of whether non-members of cooperatives can participate. To date, the Council has defined a voluntary cooperative program as one that allocates IFQs to non-members. In the event that no individual allocations are made to non-members of a cooperative, the cooperative could be referred to as mandatory with provision for non-member participation in an open access fishery. This is provided for in 4.6 a) of the revised motion. Alternatively, 4.6 b) of the revised motion provides for the option that non-members cannot participate, if that is desired.

*Suboption 1 and suboption 2.*

These provisions overlap significantly in themselves and with one of the bullets in the previous provision. Suboption 1 and suboption 2b. provide for a minimum catch history for cooperative formation, which is equivalent to one of the bullets. These options are provided for in 4.2.2 in the revised motion. That provision also notes that different percentages could be accommodated for different sectors. Suboption 2b provides for a minimum number of license holders for cooperative formation. As noted, license holders are not the appropriate reference in a share-based fishery. A requirement for a minimum number of share holders for cooperative formation is contained in 4.2.2 of the revised motion, as well.

Option 2

This option provides for cooperatives to be composed of share holders from the same sector. This is provided in 4.2.1 of the revised motion.

Option 3

This option provides for trading of shares among different cooperatives (implicitly sectors). Section 2.3.2.1 of the revised motion provides for no vessel length categories. Section 2.3.2.2, Option 1 of the revised motion, provides for

no CV or C/P designation of harvest shares, which effectively allows trading among those vessel types. Section 2.3.2.3 of the revised motion provides for no gear designations and use of shares allocated to one gear by another gear type. One or more of these could be adopted to effectively allow trading among any different sector that might be defined by the Council. **If some other objective is intended by this provision, it should be clarified. Otherwise, staff suggests this provision be omitted in favor of the more specific provisions in other sections of the motion.** The provision is included in Section 4.3.2.7 of the revised motion.

(2.2.14.9.2) Co-op Allocations

This provision is equivalent to the sector allocation provision of 2.3.1, Option 1 of the revised motion. This provision only applies if the Council elects a “true” sector cooperative, under which the entire allocation of a sector is made to a single cooperative of members of that sector. Since the provision is contained elsewhere, it is not necessary to include it again.

(2.2.14.9.3) Open Access

An open access fishery is provided for in 4.6a of the revised motion. Provisions defining participation in the open access fishery and the allocation to the open access fishery are suggested.

### 3.1 Closed Class of Processors

(3.1.13) Harvest Delivery Requirements -Under this provision, a percentage of the harvest share allocation would be deliverable to a qualified processor, with the remaining shares deliverable to any processor.

- A) Designation of A shares (deliverable only to a qualified processor) and B shares (deliverable to any processor may simplify the discussion.
- B) Is it intended that all QS would be of one class (with the delivery restricted portion inseparable from the free delivery portion). In that case, IFQ would be issued in a specific ratio of Class A IFQ to Class B IFQ for all QS holdings. Alternatively, the underlying QS could be severable, so that Class A QS can be sold separately from Class B QS. A provision and suboption could be added that provide:

If a closed class of processor or processor share alternative is chosen, CV harvest shares will be issued in two classes. Class A shares will be deliverable to a qualified processor or processor share holder (as applicable). Class B shares will be deliverable to any processor.

Suboption: Only the annual allocations will be subject to the Class A/Class B distinction. All long term shares or history will be of a single class.

These provisions have been added to 2.3.2.4 of the revised motion.

- C) This would apply only to CV harvest shares (not C/P) harvest shares. “CV” should be added before the term “harvest shares” in this provision. This is added to 3.1.2 of the revised motion.

(3.1.14.1)

- A) This paragraph should be clear that the closed class only applies to a portion of the TAC (not the whole TAC). The current language says that a processor must be qualified to “purchase groundfish” suggesting only qualified processors can participate. Suggested language is included in 3.1.2.1 of the revised motion.
- B) In paragraph c it is not clear how i) and ii) work. Are they separate suboptions? (3.1.2.1 c. of the revised motion)

(3.1.14.2)

- a) This provision describes who would receive licenses. These provision also determine who will receive credit for processing history. The provision should be clear as to its application. Suggested language is added to clarify that the provision determines the entity that will receive credit for landings.
- b) Option 2 provides that custom processing would be “counted for purposes of limiting entry”. Does this mean that
  - a) a processor that processes fish under a custom processing agreement gets credit for that processing
  - b) the party paying for that processing receive creditThis also appears to be a suboption since not all processing is not custom processing.  
(3.1.2.2 of the revised motion)

(3.1.14.3)

- a) The regionalization of processing licenses is not provided for in the regionalization section of the motion (2.9.1 of the revised motion). That section should provide for the regionalization of licenses and a method of determining the (particularly for floaters).
- b) If processor license are to be regionalized or community based, the level at which eligibility rules are applied will need to be clarified. If company based, it is possible that an entity could qualify for a license through activity at multiple locations.
- c) Can processors stack (or hold multiple) licenses?  
The response may depend on
  - 1) whether licenses are issued at the facility/plant or company level
  - 2) whether licenses are community or region limited(Clarification could be added to section 3.1 of the revised motion)
- d) Will the transfer of a processor license in a cooperative program affect the cooperative association? If a license transfer also transfers all cooperative associations, the delivery obligations would also transfer. In addition, any share reduction provision would also apply, so that leaving a cooperative would result in a loss of shares in the following year. (4.5.3 of the revised motion)

(3.1.14.4) Processor use caps will be analyzed separately for each target species (3.1.2.4 of the revised motion)

### **3.2 Closed Class of Processors with Cooperatives**

#### **(3.2) Harvest share program with closed class of processors with cooperatives**

As with some of the other sections, it might be easiest to incorporate these provisions into the cooperative options of 2.1.14. Most of the provisions are contained in that section and the few additional provisions can be easily consolidated. The provisions of 3.2.13 can be incorporated as follows:

(3.2.12.1) Added to 2.1.14, Option 2, paragraph 10.

#### **(3.2.12.1) Initial Co-op Allocations**

(this provision concerns eligibility to join a cooperative at the start of the program)

The provisions are added to 4.2.1 in the proposed revision to the motion.

### **4.2 Two-Pie IFQ with Cooperatives**

(4.2.13) The reference to “Processor Purchase Requirements” is unclear. There is no requirement in this provision. This reference is dropped from 3.2.2 of the revised motion.

(4.2.13) The provision concerning binding arbitration is very incomplete. A program will need to be developed if one is intended (see 3.2.1 of the revised motion).

(4.2.13) The provision concerning purchase of processing shares from catcher/processors is very incomplete. No option appears for the allocation of processing shares to C/Ps. If this is intended to provide for division of C/P shares into separate harvest (CV harvest share) and processing privileges (PQS), it will need to be revised. Also, the provision should be clear concerning whether catcher/processors can merge shares once they are severed.

Also a provision should be added that identifies eligibility for purchase of processing shares, if any is contemplated.

(4.2.13.1) These provisions may differ depending on what the level of allocation is intended. If the program is plant based, the eligibility should depend on the plant operations. If the program is company based, the eligibility could depend on the company operations. In all cases the allocation of shares is to the owner. References to custom processing should be clarified. Two suboptions are suggested. A complete revision is suggested in 4.2.13.1.

(4.2.13.2) Option 1 would allocate processing shares for target species. Option 2 would allocate processing shares for bycatch species. In multispecies, in which harvesters can be expected to harvest varying amounts of different species, the coordination of harvest shares can be expected to be complicated. Establishing cooperatives may simplify that coordination by facilitating transfers within a cooperative. Intercooperative transfers are likely to be necessary to facilitate harvest of the TAC of the different harvest species because of the complexity of forecasting bycatch. The coordination of processing shares will add a layer of complexity, because of the one-to-one correspondence of processing shares and Class A harvest shares. Extension of processing shares to species that are bycatch only, would further complicate the coordination of share usage. (see 3.2.4, Option 2)

- (4.2.13.2) Option 4 would allocate C/Ps shares with a harvest privilege and a processing privilege. Since this is the only provision related to C/P allocations, it cannot be an option but is a provision without option. The provision is in 3.2.4.1 of the revision.
- (4.2.13.3) The provision concerning AFA vessels is removed since it doesn't apply to processors. If an issue of AFA processors exists, the Council could add a provision requesting staff to examine AFA processor allocations separately. The provision is omitted from 3.2.5 of the revised motion.
- (4.2.13.4) The last sentence of this section provides that processors awarded IPQ can purchase "open access fish". This should provide that any processor can purchase fish delivered with Class B shares (open delivery fish). The provision in the revised motion is modified in 3.2.6.
- (4.2.13.5) The processor caps proposed by this section combine some species into groups. This method of establishing caps does not accommodate the different changes in TACs for different species. If aggregated caps are contemplated, some method of combining TACs should be considered. An option to apply caps on a species basis is added to the revision in 3.2.7.
- (4.2.13.7) It is unclear whether the inclusion of custom processing in calculating use caps is an option (option 4, clause a). **Is it intended that an option be analyzed for not including custom processing in calculating compliance with a use cap?**
- Option 4 and 5 might be better worded by starting with the phrase "use caps will be waived to the extent that compliance is prevented by...." (See 3.2.9 of the revision)
- (4.2.13.8) The provision concerning community purchase of processing shares should include some requirements concerning management and oversight of share holdings. Provisions similar to those of the halibut and sablefish community purchase program could be used for communities that do not receive an allocation of shares. For communities that do receive an allocation, share holdings could be governed by provisions that apply to the allocation. (see 3.2.10 of the revised motion)